

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7604

BILL NUMBER: HB 1693

NOTE PREPARED: Jan 2, 2005

BILL AMENDED:

SUBJECT: State Deregulation of Telecommunications Industry.

FIRST AUTHOR: Rep. Koch

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill provides that after June 30, 2007, the Utility Regulatory Commission (IURC) has jurisdiction over telecommunications carriers only to the extent that jurisdiction is: (1) expressly granted by state or federal law; or (2) necessary to administer a federal law for which responsibility has been delegated to the IURC. The bill eliminates the IURC's telecommunications jurisdiction concerning: (1) rates and charges for services; (2) depreciation schedules for carrier-owned property; (3) service quality; and (4) financing arrangements or other carrier obligations. It retains the IURC's telecommunications jurisdiction concerning: (1) the enforcement of settlement agreements or alternative regulatory plans entered into before July 1, 2007; (2) dual party relay services for the hearing or speech impaired; (3) administration of the 211 dialing code for human services information; and (4) administration of universal service programs.

This bill transfers all consumer protection duties with respect to telecommunications carriers to the Division of Consumer Protection of the Attorney General's office. It requires the General Assembly to annually appropriate to the IURC and the Division of Consumer Protection the amounts needed to fulfill their telecommunications duties.

The bill eliminates the requirements for: (1) a public hearing; and (2) an IURC finding of public convenience and necessity; before the issuance of a certificate of territorial authority for telecommunications carriers. It requires the IURC to issue a certificate if a carrier's application is accurate, complete, and properly verified. The bill limits the IURC's jurisdiction with respect to carriers' interconnection duties. It makes conforming changes to the laws concerning rural telephone cooperatives. The bill also repeals superseded statutes and makes an appropriation.

Effective Date: Upon passage; July 1, 2007.

Summary of Net State Impact: Overall, expenditures related to the regulation of telecommunications carriers are reduced. The IURC and OUCC will experience a reduction in administrative burden, however, the extent is unknown.

The Consumer Protection Division of the Attorney General's Office will experience an increase in administrative expenses. The Consumer Protection Division's expenses related to administering this bill, and the remaining telecommunications expenses of the IURC, are to be made from an appropriation from the General Fund.

Explanation of State Expenditures: *Consumer Protection:* This bill shifts the consumer protection responsibilities, related to telecommunications, of the Utility Regulatory Commission (Commission) and the Office of the Utility Consumer Counselor (OUCC) to the Consumer Protection Division (Division) of the Attorney General's office after June 30, 2007. Because one of the main responsibilities of the Commission is to hold hearings for consumer complaints and utility petitions for all utilities, it is unknown what proportion of the Commission's spending is telecommunications-related. The purpose of the OUCC is to represent the consumer in the Commission's hearing, and it is also unknown what proportion of the OUCC's spending is telecommunications-related.

While reducing the administrative burden on the Commission and the OUCC, the Division will experience an increase in expenditures related to administering the new responsibilities. Such expenses are to be paid from the Telecommunications Carrier Account within the General Fund.

The Telecommunications Carrier Account is created by this bill within the General Fund to be used by the Commission and the Division in carrying out the duties provided for in the new Telecommunications Carriers law (see *Explanation of State Revenues*).

Territorial Authority: One of the main telecommunications-related responsibilities of the Commission after June 30, 2007, will be to continue issuing territorial authority certificates to telecommunications carriers wishing to provide telecommunications services to customers in Indiana. Currently, a hearing must be held and a finding of public convenience and necessity must be entered before the certificate may be issued. This bill eliminates these two requirements and should further reduce the Commission's administrative burden.

Explanation of State Revenues: *Telecommunications Carrier Account:* The Telecommunications Carrier Account is created to support the Commission and Division in carrying out the provisions of this bill. Funding for the Account is to be made by appropriation from the General Fund in an amount to equal the total of all annual telecommunications budgets plus any additional amount for contingencies as approved by the Governor and Budget Agency.

Public Utility Fund: The operating budgets of the IURC and OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2004, fees from the utilities and fines generated approximately \$10.6 M.

This bill removes telecommunications carriers from the definition of a public utility. Therefore, the carriers will no longer be required to pay the Public Utility Fee. Revenue to the Public Utility Fund will not decrease, however. Because the Commission bases its Public Utility Fee on the gross revenue of public utilities, the rate will increase for the remaining public utilities to create a fee that will generate the necessary amount of revenue.

Rates & Charges: Telecommunications carriers will no longer be subject to the Commission's approval for setting rates and charges for service. Such services are subject to the state Sales Tax. Revenues generated by telecommunications carriers' services may increase or decrease subject to fluctuation in the carriers' rates and charges. State Sales Tax revenue is deposited in the following funds: General Fund, Property Tax Replacement Fund, Public Mass Transportation Fund, Industrial Rail Service Fund, and the Commuter Rail Service Fund.

Explanation of Local Expenditures: Municipal utilities are not subject to the Public Utility Fee.

Explanation of Local Revenues:

State Agencies Affected: IURC; OUCC; Consumer Protection Division of the Attorney General's Office.

Local Agencies Affected:

Information Sources: Joe Sutherland, Chief Operating Officer, Indiana Utility Regulatory Commission.

Fiscal Analyst: Valerie Ruda, 317-232-9867.